



Arnold Schwarzenegger  
Governor

September 9, 2010  
22:432:gsr:1177:1218

Mr. Phillip Starr, Executive Director  
Managed Career Solutions, Inc.  
3333 Wilshire Blvd., Suite 405  
Los Angeles, CA 90010

Dear Mr. Starr:

WORKFORCE INVESTMENT ACT  
VETERAN'S EMPLOYMENT-RELATED ASSISTANCE PROGRAM  
15-PERCENT ADULT PROJECT  
25-PERCENT DISLOCATED WORKER PROJECT  
FINAL MONITORING REPORT  
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Managed Career Solutions, Inc. (MCS) administration of its Workforce Investment Act (WIA) Veteran's Employment-Related Assistance Program (VEAP) Projects.

Mr. Gregory Ramsey and Ms. Ann Brito conducted this review from June 7, 2010 through June 10, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by MCS with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with MCS representatives, and WIA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Projects; a

review of MCS' response to Sections I and II of the Program On-Site Monitoring Guide; applicable policies and procedures; and a review of documentation retained by MCS for a sample of expenditures and procurements.

We received your response to our draft report on August 12, 2010, and reviewed your comments and documentation before finalizing this report. Although your response adequately addressed finding 1 cited in the draft report, this issue will remain open until we verify the implementation of your stated corrective action plan during a future on-site review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 10121.

In addition, because your response adequately addressed the finding 2 cited in the draft report, no further action is required and we consider the issue resolved.

### **BACKGROUND**

The MCS was awarded \$250,000 in 15-Percent funds to serve 120 adult participants, and \$250,000 in 25-Percent funds to serve 280 dislocated worker (DW) participants from January 1, 2009 through June 30, 2010. The MCS received additional WIA VEAP Project funds through June 30, 2012.

For the period ending May 2010, MCS reported that it spent \$246,485 of its 15-Percent funds to enroll 106 adult participants, and spent \$224,555 of its 25-Percent funds to enroll 69 DW participants. We reviewed 15 of 118 case files for the 15-Percent adult participants, and 15 of 77 case files for the 25-Percent DW participants enrolled in the WIA VEAP Projects as of June 10, 2010.

### **PROGRAM REVIEW RESULTS**

We concluded that, overall, MCS was meeting applicable WIA requirements concerning grant program administration.

### **FINANCIAL MANAGEMENT REVIEW RESULTS**

We concluded that, overall, MCS was meeting applicable WIA requirements concerning financial management.

**PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, MCS was meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: cost or price analysis and contract provisions. The findings that we identified in these areas, our recommendations, and MCS' proposed resolution of the findings are specified below.

**FINDING 1**

**Requirement:** 29 CFR Section 95.43 states, in part, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

29 CFR Section 95.45 states, in part, some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement transaction.

WIA Directive (WIAD) 00-2 states, in part, small purchases must be documented by sales receipt, current catalogs with price lists, or formal quotes depending on the amount.

The U.S. Department of Labor's One Stop Comprehensive Financial Management Technical Assistance Guide (TAG), July 2002, states, in part, that if small purchase procedures are used, price or rate comparisons from an adequate number of qualified sources must be obtained.

**Observation:** We observed that MCS purchased business cards from Pixel Imaging in the amount of \$244.14. However, MCS did not perform a cost or price analysis prior to the purchase.

**Recommendation:** We recommended that MCS provide CRO with a CAP indicating how it will ensure, in the future, that a cost or price analysis is completed for all procurement transactions.

**MCS Response:** The MCS stated that they have amended their small purchase procurement process to include the requirement for at least two written price quotes for purchases of \$5,000 or less.

**State Conclusion:** The MCS' stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, the MCS' successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10121.

## FINDING 2

**Requirement:** 20 CFR Section 667.200(d) states, in part, that all WIA grant recipients and subrecipients must comply with government-wide requirements for debarment and suspension, and the government-wide requirements for a drug-free workplace.

29 CFR Section 97.36(i)(1-13) states, in part, that a subgrantee's contracts must contain the following required provisions as applicable:

- Compliance with Executive Order (E.O.) 11246, "Equal Employment Opportunity," as amended by E.O. 11375 and 41 CFR part 60 "Equal Employment Opportunity."
- Notice of awarding agency requirements and regulations pertaining to reporting.
- Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.

**Observation:** We conducted a review of one governmental contract with the Verdugo Consortium through the City of Glendale in the amount of \$50,000. We found that this contract lacked the necessary provisions identified above in Section 97.36 of 29 CFR and Section 667.200 of 20 CFR.

**Recommendation:** We recommended that MCS provide CRO with a CAP indicating how it will ensure that future contracts will include all the required contract provisions identified above.

**MCS Response:** The MCS provided a revised executed copy of the contract with Verdugo Consortium, which includes all required provisions. In addition, MCS states all future contracts will contain the revised boilerplate language.

**State Conclusion:** We consider this finding resolved.

Mr. Phillip Starr

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September 9, 2010

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is MCS' responsibility to ensure that its systems, programs, and related activities comply with the WIA, related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain MCS' responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized flourish at the end.

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Estaban Magallenes, President  
Dave Mayer, MIC 50  
Elizabeth Thomsen, MIC 50